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Viewing cable 08SANJOSE707, COSTA RICA STANDS FIRM ON OIL-FOR-FOOD

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Reference ID	Created	Released	Classification	Origin
08SANJOSE707	2008-08-29 23:01	2011-08-30 01:44	CONFIDENTIAL	Embassy San Jose

Appears in these articles:

<http://www.nacion.com/2011-03-10/Investigacion/NotasDestacadas/Investigacion2707705.aspx>
<http://www.nacion.com/2011-03-10/Investigacion/NotasSecundarias/Investigacion2707712.aspx>
<http://www.nacion.com/2011-03-10/Investigacion/NotasSecundarias/Investigacion2707716.aspx>

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C O N F I D E N T I A L SAN JOSE 000707

SIPDIS

DEPT FOR WHA/CEN, NEA, IO AND IO/UNP

E.O. 12958: DECL: 08/29/2018
TAGS: [CS](#) [EFIN](#) [IZ](#) [PGOV](#) [PINR](#) [PREL](#) [UNSC](#)
SUBJECT: COSTA RICA STANDS FIRM ON OIL-FOR-FOOD

REF: A. A) STATE 88209
[1](#)B. B) LINES-HENIFIN EMAILS OF 8/21/2008 AND 8/28/2008

¶1. (SBU) SUMMARY: Despite an historic (for San Jose) collective P5 demarche on the issue, FM Stagno and the GOCR remain firm in their deep-seated opposition to shutting down the Oil-for-Food (OFF) Program. Stagno and his team reminded us of Costa Rica's long-standing concerns about Program irregularities, as described in the 2005 Volcker Commission report, and strongly counseled against closing OFF prematurely. Under the circumstances, he said the GOCR strongly preferred the current practice (of periodic Working Group reports) instead of creating a new dispute mechanism or giving authentication responsibilities to the GOI. Stagno said that the GOCR would review the current (and still inadequate) text of the proposed P5 letter, but he signaled that the GOCR would not/not accept a UNSC Resolution on the issue. Worse than closing down OFF without correcting its irregularities would be to do so without Council consensus, he warned. Stagno reprised many of these arguments for visiting IO A/S Hook on August 28, but in a much softer tone. He agreed then to a Secretariat briefing, but did not drop Costa Rica's objections. END SUMMARY.

MFA HOLDS FIRM

¶2. (SBU) In order to lay the groundwork for a broader and higher-level P5 demarche, we began at the senior working level. On August 19, we delivered Ref A points to MFA UNSC Team Leader Adriana Murillo and Foreign Policy Coordinator for International Organizations Randolph Coto. The two explained that Costa Rica continued to object to the OFF Program being closed down out of concerns over transparency. Automatic payments to suppliers after 45 days did not make sense in light of the well-known problems and payment irregularities highlighted by the independent investigative (Volcker Commission) report. The GOCR strongly supported a different mechanism to ensure that goods are delivered before payment is made. This responsibility should be neither the Iraqi government's alone, nor that of the companies involved. One can't just take the word of a company that it had delivered goods, they insisted; appropriate documentation is needed. Murillo and Coto compared it to an import/export transaction, where clear proof of delivery is required.

¶3. (SBU) When asked why they were objecting to ending OFF when even the Iraqis were not, Murillo and Coto replied that Costa Rica is "defending the good use of international resources and transparent mechanisms." To the GOCR, the solutions in the P5 letter are "not viable." The two officials would not predict how the GOCR would respond to a UNSC resolution to close OFF, if it came to that. In the meantime, they indicated that Costa Rica would continue to urge that its letter of July 25 (circulated on August 4) be considered "officially" by the Council, along with three alternative mechanisms described in the OFF Working Group Report of June 30 (covered by the SYG's letter of July 25).

FM STAGNO HOLDS FIRMER

¶4. (SBU) Because our French colleagues here had been pressing for some weeks to join us in an OFF demarche on behalf of the P5, we scheduled a joint follow-on approach with them to Antonio Alarcon, FM Bruno Stagno's COS, on August 21. As a courtesy (and as suggested in Ref A), we alerted our British, Russian and Chinese counterparts. All decided to join in what became the first-ever collective P5 demarche to the GOCR. (The Chinese had instructions to do so. The Brits and the Russians did not have explicit instructions, but believed their absence would weaken the message. The Russians had initially told us that they preferred to leave this issue to their UN team to manage.) Collectively, we decided for a Counselor-level demarche, instead of involving DCMs or COMs. (This proved to be a wise

decision, see below.)

¶5. (SBU) Instead of just Alarcon, however, Stagno received us, along with most of the MFA,s UNSC team. He listened politely as we noted the historic nature of our collective demarche, which highlighted our five governments, interest in finally closing down the OFF Program. We also reiterated the points in Ref A, and urged Costa Rica to support the draft letter to the SYG.

¶6. (SBU) Then, Stagno let fly, in a passionate, even stern 40-minute dissertation (without notes) explaining why the GOCR continued to oppose closing the OFF Program. He reminded us that Costa Rica had long been deeply concerned about irregularities in the OFF Program, well before returning to the Security Council in 2008. He reiterated Costa Rica,s strong support for the Volcker Commission,s report, complaining that the report had still to be circulated as an official UN document. The Volcker Report, Stagno said, was a "lost opportunity," but at least it was a serious effort to begin to correct the flaws in the OFF Program. Even the SYG had concerns about possible legal action if OFF were closed down prematurely, Stagno insisted, pointing to paragraph 17 in the Working Group,s report from June (which Stagno read to us, in Spanish).

¶7. (SBU) Given the continued irregularities in the OFF Program, Stagno strongly counseled &caution8 to avoid compounding the error by closing OFF prematurely, before a better mechanism was in place. He implied that "commercial interests" in some UNSC member countries seemed to be driving the campaign to close OFF too quickly. Under the circumstances, the GOCR strongly preferred continuing the current practice (of periodic Working Group reports to the Security Council) instead of creating a new dispute mechanism or giving OFF authentication responsibilities to the GOI (and the companies involved).

¶8. (SBU) Stagno frostily said that the GOCR would review the current and still "inadequate" text of the proposed P5 letter, and he signaled that the GOCR would not/not accept a UNSC Resolution on the issue. Worse than closing down OFF without correcting its irregularities would be to do so without Council consensus, he warned. He concluded our meeting by providing a four-page non-paper (in Spanish) reviewing the GOCR,s concerns about the OFF Program since ¶2005. (Note: Stagno provided the same non-paper, in English, to A/S Hook. See below.)

A/S HOOK HEARS SIMILAR MESSAGE: PRINCIPLE TRUMPS POLITICS

¶9. (SBU) Stagno reprised much of this presentation (in less confrontational terms) during IO A/S Brian Hook,s visit on August 28. The Minister reiterated that OFF was a "personal" issue for him, which he had followed closely for a long time. He had studied the Volcker report carefully, and had concluded that although it was imperfect, it remained the best baseline for correcting the OFF problems. He and the GOCR therefore were "uncomfortable" by the pressure to close down the OFF program, when there were still many unanswered questions.

¶10. (SBU) The point was not the "minimal" amount of outstanding bills, Stagno stressed, but the principle. The GOCR thus wanted to be "very careful" before supporting the OFF closure. Stagno acknowledged that Costa Rica was "a bit alone" on the issue, but he reiterated that the GOCR would not acquiesce to shutting down OFF without a clearer picture of the way ahead, and he referred again to the SYG,s concerns as listed in paragraph 17 of the Working Group Report. The GOCR had already received a number of Russian demarches on the issue, but these had not been persuasive. Stagno said the Russians offered "no solutions." He concluded that Costa Rica might have to stand firm on principle, even in the face of a possible 14-1 UNSCR.

¶11. (SBU) Hook acknowledged that the Costa Rican concerns about the integrity of OFF contracts were "reasonable," but he stressed that the "political realities" were changing. Momentum was clearly building to close down OFF. Now was not the time for "the perfect to become the enemy of the done." Stagno supported the idea of a Secretariat briefing, but in response to Hook's questions, he did not offer detailed additional suggestions. A lengthy contract-by-contract review (as under the old 661 Committee format) was a non-starter, according to Stagno, but the SYG had to be able to evaluate the OFF contracts in some way; the Council could not rely on GOI assurances alone. For this reason Costa Rica favored continuing with the existing mechanism (periodic Working Group reports) as the least worst option.

COSTA RICAN NON PAPER

¶12. (U) The operative concluding paragraph of the English language non-paper follows. Full text emailed to WHA and IO on August 29:

"Hold on (OFF) Programme Closure:

Although we (Costa Rica) have been non-permanent members of the Security Council since January 1, 2008, it was not until very recently that we obtained a list of companies that still have unpaid letters of credit for goods or services offered under the Oil-for-Food Programme. The coincidence between the companies on that list and those listed in Tables VII and VIII (Actual and Projected Illicit Payments on Contracts for Humanitarian Goods) of the Independent Investigative Committee's report of October 27, 2005, makes it even more appropriate to undertake a detailed study of the eventual closure of the Programme. Therefore, Costa Rica considers it timely to keep its hold on the definitive closure of the Programme while there is no full certainty that the payment of goods and services that have not been duly and promptly delivered pursuant to the contracts signed, or the payment of surcharges or commissions, are not being endorsed."

COMMENT: BLASTED BY THE BEST

¶13. (SBU) Our MFA contacts told us later that Stagno had decided at the last minute to receive our "historic" P5 demarche himself. Perhaps; but he and his team were certainly well prepared. Even with the helpful background information provided by IO/UNP (Ref B), we were in no way equipped to tackle Stagno on this issue, and we were better "prepared" than any of our P5 colleagues. We were eviscerated by a master, who knows this subject intimately, and has for some time. Far from persuading Costa Rica to back down, in fact, our collective demarche may have stiffened the Ticos, resolve. For future such demarches, we recommend having much more comprehensive preparation from Washington, or better still, that the Department and USUN work this sort of issue directly with the Costa Rican delegation in New York. We readily acknowledge that we are not the experts on issues as arcane and deep-seated (to the GOCR) as oil-for-food.

¶14. (C) OFF clearly is a deeply-felt personal issue to Stagno and the GOCR, but there is more at work here, in our view. Stagno was clearly frustrated (and he used that word a few times with the P5) that Costa Rica's OFF concerns had not been taken seriously, and now the P5 were ganging up on Costa Rica. This incident underscores what we have increasingly detected this year. What the GOCR really wants, especially in the UNSC, is respect, genuine partnership and to be taken seriously in areas it has expertise and something to offer. Costa Rica does not want to merely serve on the Council; it wants to improve it. For better or for worse, we expect this will continue to shape Costa Rica's stance on many UNSC issues.

¶15. (U) A/S Hook did not clear this message before departing
Costa Rica.
CIANCHETTE